



GSE
GHANA STOCK EXCHANGE



**OVER THE COUNTER
(OTC) MARKET
BROCHURE**

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Introduction

The Over the Counter (OTC) market, under the Ghana Stock Exchange (GSE), provides a centralized platform for trading securities in companies that are not listed on any of GSE's markets. The market was established with the primary objective of creating a fair, orderly, and efficient trading environment for securities issued by public companies that have not been listed on any of GSE's markets. These OTC Rules are made by the GSE pursuant to its securities exchange licence and are approved by the SEC in accordance with the SIA, 2016 as amended by the SIA, 2021.

This brochure aims to provide investors and issuers with a comprehensive understanding of the benefits and risks associated with the OTC market, enabling them to make informed investment decisions.

Securities that can be Admitted on the OTC Market

The OTC market allows for the trading of various financial instruments, including ordinary shares, preference shares, derivatives, depositary receipts, and securities issued by collective investment schemes such as unit trusts, mutual funds, hedge funds, or Real Estate Investment Trusts (REITs). These securities are issued by companies that may not meet traditional exchange requirements, making the OTC market an alternative platform for investors looking to trade these instruments.

Benefits of the OTC Market to Issuers

- **Increased visibility:** By being admitted onto the OTC Market, issuers can increase their visibility and attract potential investors who are specifically interested in trading on this market.
- **Access to capital:** The OTC Market provides issuers with another avenue to raise capital through the sale of securities. This can be particularly beneficial for smaller companies or those that may not meet the requirements for listing on the main board or alternative board of the GSE.
- **There are no admission fees.**
- **Flexibility:** The OTC Market offers issuers more flexibility in terms of the types of securities that can be admitted, as well as the reporting and disclosure requirements that must be met.
- **Liquidity:** The OTC Market can provide issuers with increased liquidity for their securities, which can be beneficial for shareholders who may want to buy or sell their holdings more easily.
- **Visibility and Price discovery.** Daily trading activities are live to our market participants. Investors can access trading activities on the GSE's market watch. (www.gsemarketwatch.com.)

Benefits of the OTC Market to Investors

- **Diversification:** Investors can use the OTC market to diversify their portfolios, as it offers access to securities not listed on the main or alternative boards of the GSE.
- **Liquidity:** The OTC market provides investors with an avenue to buy and sell securities.
- **Transparency:** The GSE, as the regulatory body for the OTC market, enforces strict reporting and disclosure requirements for issuers, which helps to enhance transparency and provide investors with better information to make informed investment decisions.
- **Minimum trading costs:** Trading costs have a floor rate of 1.5% and a cap of 2.5% per transaction.
- **Ease in the transferability of securities:** Investors can receive their securities and funds within three days (T+3) after a transaction. There are also dispensations for investors to receive their securities within T+1, or T+2 depending on the agreement between the transacting parties.

Buying and selling of securities on the OTC Market

When it comes to buying and selling securities on the OTC market, investors typically rely on stockbrokers to facilitate their trades. A stockbroker is a licensed professional who acts as an intermediary between buyers and sellers in the securities market. They can help investors navigate the complex world of buying and selling securities by providing valuable advice, research, and analysis. When an investor places an order with their stockbroker, the broker will then execute the trade on their behalf.

Process for Admitting Securities onto the OTC Market

- Companies seeking to have their securities admitted to the OTC market must submit the necessary supporting documents, which include the company's profile, audited financial statements, annual reports, and constitution.
- The financial statements and annual reports must cover a minimum period of three years, or such shorter period as the company may have been in existence.
- The Exchange may request additional documents from the issuer, in addition to those specified in the OTC Rules.
- If any of the required documents are not applicable, the issuer must submit a separate paper explaining why those documents are not applicable.

Conditions for Admission of Securities to the Market

To have securities admitted and traded on the OTC market, a company must meet the following conditions:

- The company must be a public limited liability company incorporated under the laws of Ghana or any other public company accepted by the GSE.
- The company should not have filed for bankruptcy or be undergoing liquidation.

Before trading begins, securities must be admitted into the Central Securities Depository (GH) Ltd. (CSD).

Reporting and Disclosure Requirements for Issuers on the OTC Market

- Issuers must comply with reporting and regulatory requirements under applicable laws.
- Audited financial statements must be published within 3 months after the financial year end.
- Unaudited half-year financial statements must be published within one month after the end of the half-year.
- Issuers must immediately disclose material facts, changes, or decisions that may influence investor decisions.
- Issuers must disclose proposed dividends, court applications to wind up the issuer, and appointments of receivers or liquidators to the public through the GSE.
- Immediate disclosure means within one business day.

Trading of OTC Securities

- All OTC securities shall be traded through the GSE Automated Trading System (GATS), which provides a separate market for OTC securities.
- OTC securities shall be traded in single units.
- OTC securities shall not participate in Pre-open and Open segments of the market but shall trade throughout the trading session.

Clearing and Settlement of OTC Securities

- Transactions in OTC securities shall settle through CSD Depository System.
- The settlement shall be in accordance with the prevailing CSD Settlement Rules and Procedures.

Issuer Admission Onboarding Requirements at the CSD

A company whose securities are to be admitted into the CSD shall submit the following supporting documents.

- the profile of the company;
- the company's audited financial statements and annual reports for at least three (3) years or such shorter period as the company may have been in existence;
- the company's constitution or regulation (for companies registered before August 2019)
- Completed CSD Issuer Application Form
- Valid License from Industry Regulator
- Regulatory approval letters from SEC and GSE
- Certificate of Incorporation
- Board Resolution authorizing execution of admission application
- Service Level Agreement
- Confidentiality Agreement and Email Indemnity
- Prospectus (if applicable)

Securities register of companies will be reconciled and admitted to the Central Securities Depository System (CSD) in an electronic format. This process is called dematerialization.

Securities account opening requirement

An investor is required to have a securities account to be able to trade or hold securities electronically. An investor that already has an existing CSD Securities Account can register the Securities Account with any Broker of their choice. Investors without Securities Account can open one through any Broker of their choice by submitting the following documents based on the type of securities account:

Local Individuals (Individuals above 18 years)

- Completed CSD Form 1
- Copy of ID (Ecowas Card)
- Passport picture of the investor

Local company (Companies incorporated in Ghana)

- Completed CSD Form 1
- Certificate of Incorporation / Certificate to commence Business.
- Board Resolution to open a Securities Account.
- Authorized Signatures and copy of ID (Ecowas card) of
- Copy of ID (Ecowas card) of signatories

All other types and categories of Securities Account and the corresponding CSD requirements can be found at www.csd.com.gh.

Risks of Trading in the OTC Market

Investing on the OTC Market also comes with some risks, and thus, investors should conduct thorough research and due diligence before investing in any OTC security and be cautious of companies that promise high returns or do not provide adequate information about their business and financial performance.

Contact a stockbroker or investment advisor for more information and advice (<https://gse.com.gh/licensed-dealing-members/>).

Licensed Dealing Members

1. Amber Securities Ghana Ltd.
2. Black Star Brokerage Ltd.
3. Bullion Securities Ltd.
4. CDH Securities Ltd.
5. Chapel Hill Denham Securities Ghana Ltd.
6. Constant Capital Ltd.
7. Databank Brokerage Ltd.
8. EDC Stockbrokers Ltd.
9. FirstBanC Brokerage Services Ltd.
10. IC Securities Ghana Ltd.
11. Laurus Africa Securities Ltd.
12. NTHC Securities Ltd.
13. Petra Securities Ltd.
14. Republic Securities Ghana Ltd.
15. Sarpong Capital Ltd.
16. SBG Securities Ghana Ltd.
17. Serengeti Capital Markets Ltd.
18. SIC Brokerage Ltd.
19. Strategic African Securities Ltd.
20. Teak Tree Brokerage Ltd.
21. UMB Stockbrokers Ltd.
22. Worldwide Securities Ltd.

Click on the link for more details on

Licensed Dealing Members

<https://gse.com.gh/licensed-dealing-members/>

Primary Dealers

1. ABSA Bank Ghana Ltd.
2. Access Bank Ghana PLC
3. ADB Bank PLC
4. ARB Apex Bank Ltd.
5. CalBank Ghana PLC
6. Consolidated Bank Ghana Ltd.

7. Ecobank Ghana PLC
8. Fidelity Bank Ghana Ltd.
9. GCB Bank PLC
10. Guaranty Trust Bank Ghana Ltd.
11. Societe Generale Ghana PLC
12. Stanbic Bank Ltd.
13. Standard Chartered Bank Ghana PLC

Non-Primary Dealers

1. Bank of Africa Ghana Ltd.
2. FBN Bank Ghana Ltd.
3. First Atlantic Bank Ghana Ltd.
4. First National Bank Ltd.
5. National Investment Bank Ltd.
6. OmniBsic Ltd.
7. Prudential Bank Ltd.
8. Republic Bank Ghana PLC
9. UBA Ghana Ltd.
10. UMB Bank PLC
11. Zenith Bank Ghana Ltd.

Broker-Dealers

1. Apakan Securities Ltd.
2. Fincap Securities Ltd.
3. Obsidian Achemar Ltd.
4. Regulus Securities Ltd.
5. Savvy Securities Ltd.

Click on the link for more details on

GFIM Members <https://gfim.com.gh/gfim-members/>



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